SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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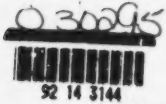

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15 (d)

K92-2258

OF THE SECURITIES EXCHANGE ACT OF 1934.

For Quarter Ended: March 31, 1992

ITHACA BANCORP, INC.
(Exact name of registrant as specified in its charter)

New York	0-18705	22-2953099
(state or other jurisdiction of incorporation or organization)	(Commission File Number)	(I.R.S. Employer Identification No.)

30-09-C

PROCESSED BY
MAY 18 1992

118 North Tioga Street, Ithaca, New York 14850
(Address of principal executive offices)

Microfilmed by
Q-Data Corp. - St. Petersburg, FL

Registrant's telephone number, including area code (607)273-7111

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceeding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No

Number of shares of common stock outstanding as of May 13, 1992: 2,309,296.

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ITHACA BANCORP, INC

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CONSOLIDATED BALANCE SHEETS

ASSETS	March 31, 1992 (Unaudited)	December 31, 1991
	(In thousands)	
Cash and due from banks	$7,580	$7,525
Fed funds sold	7,685	10,688
Investment securities, market value of $14,889 at March 31, 1992 and $14,057 at December 31, 1991	14,651	13,630
Mortgage-backed securities, market value of $13,262 at March 31, 1992 and $13,972 at December 31,1991	13,490	13,871
Loans held for sale	19,652	12,654
Loans receivable, net	380,096	391,822
Accrued interest receivable	4,063	4,043
Real estate acquired through foreclosure	22,611	23,058
Real estate held for development and resale, net	3,731	3,724
Premises and equipment, net	3,158	3,294
Other assets	11,004	10,595
	487,721	$494,904

LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Deposits:		
Demand	$44,340	$44,548
Savings	79,142	59,398
Money market	27,958	27,708
Time	243,299	262,101
Total deposits	394,739	393,755
Advances from Federal Home Loan Bank	55,375	63,075
Accrued expenses and other liabilities	7,621	8,312
Total liabilities	457,735	465,142
Commitments and contingencies		
Stockholders' Equity:		
Preferred stock; 5,000,000 shares authorized; none issued	--	--
Common stock; $0.01 par value; 8,000,000 shares authorized and 2,309,296 shares issued and outstanding	23	23
Additional paid-in capital	20,315	20,315
Retained earnings	9,648	9,424
Total stockholders' equity	29,986	29,762
	$487,721	$494,904

See accompanying notes to the consolidated financial statements.

ITHACA BANCORP, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended March 31,	
	1992	1991
	(Unaudited) (In thousands, except per share amounts)	
INTEREST INCOME:		
Real estate loans	$8,176	$10,196
Other loans	966	1,277
Mortgage-backed securities	263	494
Investment securities	419	482
Total interest income	9,824	12,449
INTEREST EXPENSE:		
Deposits	5,232	7,443
Federal Home Loan Bank advances	982	1,373
Other borrowed funds	--	4
Total interest expense	6,214	8,820
Net interest income	3,610	3,629
Provision for possible loan losses	300	300
Net interest income after provision for possible loan losses	3,310	3,329
OTHER OPERATING INCOME:		
Net gain on sales of loans	78	29
Loan servicing fees	352	326
Bank service fees	310	281
Insurance commissions and fees	51	31
Other	(5)	1
Total other operating income	786	668
OTHER OPERATING EXPENSE:		
Salaries and employee benefits	1,624	1,660
Office occupancy and equipment	423	443
Data processing	277	255
Deposits and other insurance	344	377
Professional fees	317	242
Real estate operations, net	109	199
Other	630	581
Total other operating expense	3,724	3,757
Income before income taxes	372	240
Income tax expense	148	90
Net income	$224	$150
Net income per common share	$0.10	$0.06

See accompanying notes to the consolidated financial statements.

ITHACA BANCORP, INC.

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

	For the Three Months Ended March 31,	
	1992	1991
	(Unaudited) (In thousands)	
Stockholders' Equity:		
Balance, December 31, 1991 and 1990	$29,762	$29,724
Net income	224	150
Balance, end of period, March 31,	$29,986	$29,874

See accompanying notes to the consolidated financial statements.

ITHACA BANCORP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Three Months Ended March 31,	
	1992	1991
	(In thousands)	
INCREASE (DECREASE) IN CASH FLOWS		
CASH FLOWS FROM OPERATING ACTIVITIES:		
Interest received	$9,730	$11,827
Fees and commissions received	213	455
Interest paid	(6,287)	(8,824)
Cash paid to suppliers and employees	(3,924)	(4,412)
Income taxes refunded (paid)	(507)	1,044
Originations of loans held for sale	(15,087)	(4,632)
Proceeds from loans held for sale	7,763	3,661
Investment in real estate held for development and resale	(254)	(272)
Proceeds from sales of real estate held for development and resale	126	--
Net cash used in operating activities	(8,227)	(1,153)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from maturities of investment securities	1,175	--
Purchases of investment securities	(2,123)	--
Net decrease in loans receivable	9,212	2,388
Principal collected on mortgage-backed securities	381	571
Proceeds from sales of real estate acquired through foreclosure	3,384	798
Purchases of premises and equipment	(34)	(26)
Purchased servicing rights	--	(12)
Net cash provided by investing activities	11,995	3,719
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net increase (decrease) in deposits	984	(7,108)
Proceeds from Federal Home Loan Bank advances	7,480	17,500
Repayment of Federal Home Loan Bank advances	(15,180)	(17,000)
Net cash used in financing activities	(6,716)	(6,608)
Net changes in cash and cash equivalents	(2,948)	(4,042)
Cash and cash equivalents: Beginning of period	18,213	9,804
End of period	$15,265	$5,762
RECONCILIATION OF NET INCOME TO NET CASH USED IN OPERATING ACTIVITIES:		
Net income	$224	$150
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	169	180
Amortization of purchased servicing rights	130	142
Accretion of investment securities	(74)	(188)
Provision for possible loan losses	300	300
Provision for possible losses and write-downs of real estate	(110)	(70)
Net gain on sales of loans	(78)	(29)
Amortization of unearned discount and net deferred fees	(88)	(78)
Increase in accrued interest receivable	(20)	(454)
Increase in other assets	(537)	(248)
Decrease in accrued expenses and other liabilities	(332)	(789)
Increase (decrease) in accrued tax expense	(359)	1,134
Increase in loans held for sale	(7,324)	(971)
Increase in real estate held for development and resale, net	(128)	(272)
Total adjustments	(8,451)	(1,303)
Net cash used in operating activities	($8,227)	($1,153)
Supplemental Schedule of Noncash Investing Activities:		
Real estate acquired in settlement of loans through foreclosure	$2,706	$127

See accompanying notes to the consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued

(1) In the opinion of Ithaca Bancorp, Inc., the accompanying unaudited consolidated financial statements contain all adjustments, consisting of only normal recurring accruals, necessary to present fairly the Company's financial position as of March 31, 1992 and the results of operations, and the cash flow statements for the three months ended March 31, 1991 and 1992 and the statements of changes in stockholders' equity for the three months ended March 31, 1992 and 1991.

Separate financial statements of unconsolidated subsidiaries and real estate partnerships have been omitted since, if considered in the aggregate, they would not constitute a significant subsidiary.

The financial statements and other information contained herein are not necessarily indicative of the results of operations or financial condition which will occur or exist in the future.

(2) Loans

The composition of the loan portfolio (which excludes loans held for sale) is summarized as follows:

	March 31, 1992	December 31, 1991
	(In thousands)	
Real estate loans		
Conventional:		
1–4 family	$206,131	$211,055
Multi–family	78,429	79,063
Commercial	51,774	52,298
Construction	12,461	16,628
FHA insured and VA guaranteed	8,901	9,055
	357,696	368,099
Other loans:		
Business	18,605	20,169
Consumer	8,951	9,260
	27,556	29,429
Less:		
Undisbursed portion of loans–in–process	424	839
Unearned discount and net deferred fees	476	565
Allowance for possible loan losses	4,318	4,302
	5,218	5,706
Loans receivable, net	$380,034	$391,822

The composition of loans held for sale is summarized as follows:

	March 31, 1992	December 31, 1991
	(In thousands)	
1–4 family real estate loans	$7,021	$1,102
Guaranteed student loans	12,693	11,552
Loans held for sale	$19,714	$12,654

The following summarizes transactions in the allowance for possible loan losses.

	For the Three Months Ended March 31, 1992	For the Year Ended December 31, 1991
	(In thousands)	
Balance, beginning of period	$4,302	$5,402
Provision charged to operations	300	1,200
Charge–offs	(367)	(2,845)
Recoveries	83	545
Balance, end of period	$4,318	$4,302

(3) Real Estate Acquired through Foreclosure and/or Held for Development and Resale, net

Real estate acquired through foreclosure and/or held for development and resale, net includes the following:

	March 31, 1992	December 31, 1991
	(In thousands)	
Real estate acquired through foreclosure	$19,504	$11,476
Real estate collateral in substance foreclosed	3,107	11,582
	$22,611	$23,058
Real estate held for development and resale	$6,166	$6,039
Allowance for possible losses	2,435	2,315
	$3,731	$3,724

The following summarizes transactions in the allowance for possible losses:

	For the Three Months Ended March 31, 1992	For the Year Ended December 31, 1991
	(In thousands)	
Balance, beginning of period	$2,315	$1,809
Provision charged to operations	120	506
Balance, end of period	$2,435	$2,315

The following summarizes income(expense) from real estate operations:

	For the Three Months Ended March 31,	
	1992	1991
	(In thousands)	
Net gain on sale of real estate	($273)	($43)
Write-down of real estate	29	76
Provision for possible losses	120	--
Rental income	(212)	(139)
Real estate expenses	445	305
Real estate operations, net	$109	$199

Item 2 - Management's Discussion and Analysis of Financial Condition and Results of Operations.

FINANCIAL CONDITION

Ithaca Bancorp, Inc. (the "Company") is a New York corporation and is the savings and loan holding company for Citizens Savings Bank, F.S.B. ("Citizens"), the sole direct subsidiary of Ithaca Bancorp.

The Company had net income of $224,000 for the quarter ended March 31, 1992 compared to $150,000 for the same period last year. First quarter 1992 results were benefitted by a $205,000 gain on the sale of a $1.1 million South Carolina ORE property. An improvement in net interest margin (the difference between the average yield on interest-earning assets and the average rate paid on interest-bearing liabilities) from the first quarter of 1991 to the first quarter of 1992 substantially offset a decrease in interest income resulting from a reduction in total assets. Net interest income was approximately $3.6 million for both the first quarter of 1992 and 1991. The improved net interest margin is primarily due to a $4.6 million reduction in the average amount of non-performing assets outstanding during the first quarter of 1992 compared to the same period last year. In addition to adversely affecting net interest income, non-performing assets also require a commitment of management and staff resources and significant out-of-pocket expenses for legal and consulting advice, real estate taxes and other maintenance expenses.

Citizens' financial condition and operating results continue to be adversely affected by a high level of non-performing assets which consist primarily of loans not accruing interest and real estate acquired in foreclosure (ORE). Non-performing assets increased slightly during the quarter ended March 31, 1992 because the amount of new non-performing assets exceeded the amount of non-performing assets resolved during the quarter, primarily through the sale of ORE. However, during the first quarter of 1992, progress was made in workout efforts which allowed Citizens to acquire title to substantial amounts of ORE. ORE sales totalled $3.1 million in the first quarter of 1992 compared to $7.6 million for all of 1991.

Citizens decreased total assets $7.2 million during the first quarter of 1992 and decreased total assets $46.5 million during all of 1991. Citizens began downsizing during the last months of 1990. This downsizing is the result of not pursuing all available lending opportunities and devoting substantial management effort to addressing problem assets which increased dramatically in late 1990. This nearly one and a half year period of asset shrinkage coincides with a period of sluggish economic growth and generally slow business activity which resulted in fewer acceptable loan opportunities. The reduction in total assets has allowed Citizens to maintain satisfactory capital levels despite lower than desirable earnings. Citizens' capital ratios remain above the Office of Thrift Supervision (OTS) requirements, with tangible and core capital ratios of 6.03% and a risk based capital ratio of 9.63% at March 31, 1992. Citizens core and tangible capital ratios have increased from 5.41% at December 31, 1990 to 6.03% at March 31, 1992 and the risk based capital ratio increased from 9.24% to 9.63% over the same period.

Beginning in late 1991, Citizens began experiencing a significant increase in single family mortgage loan origination activity. Approximately 12% of the $16.2 million in single family loans originated in the first quarter were adjustable rate loans. The remaining fixed rate single family loans are generally sold to the secondary market under delivery agreements which avoid market price risk.

Citizens has restricted new construction lending by focusing primarily on single family construction loans. Construction loans outstanding have declined $27.9 million since year end 1990. Decreases in construction loan outstandings represent 52% of the decrease in total assets since December 31, 1990. During the first quarter of 1992, construction loans decreased $3.8 million representing almost 53% of the decline in total assets.

Adversely classified assets at March 31, 1992 totalled $54.6 million, a decrease of $4.5 million during the quarter. Adversely classified assets are those which have identifiable weaknesses that may involve a greater than normal risk of not realizing an asset's full value. The decrease results primarily from the sale of ORE and, to a lesser extent, borrower loan repayments and charge-offs.

The Board of Directors of the Company is in the final stages of identifying and hiring a new president and chief executive officer.

Results of Operations.

The following table shows in summary form, for the periods indicated, interest income from daily average interest-earning assets, expressed in dollars and yields earned, and interest expense on daily average interest-bearing liabilities, expressed in dollars and rates paid. Interest rate margins have improved in 1992 compared to 1991 as a result of 1) reductions in the amount of loans not accruing interest, 2) less demand for higher cost funds as the bank was shrinking in size during 1991 and the first quarter of 1992, and 3) more rapid declines in rates paid on interest bearing liabilities compared to interest earning assets in a period of generally declining interest rates.

	Three Months Ended March 31,					
	1992			1991		
	Average Balance	Interest Income/ Expense	Yield/ Rate (1)	Average Balance	Interest Income/ Expense	Yield/ Rate (1)
Interest-earning assets.....	$445,385	$9,824	8.83%	$500,602	$12,449	9.97%
Interest-bearing liabilities..	$448,730	6,214	5.57	$499,933	8,820	7.15
Net interest income.....		$3,610			$3,529	
Interest rate margin.....			3.26%			2.82%
Net yield on interest-earning assets.....			3.26%			2.94%

(1) Annualized

The improvement in net yield was not as great as the improvement in net interest margin between the periods due to increases in ORE. ORE is not considered an interest earning asset but it must still be funded with interest bearing liabilities.

Comparison of Three Month Periods Ended March 31, 1992 and 1991

The Company had net income of $224,000 or $0.10 per share in the first quarter of 1992 compared to $150,000 or $0.06 per share for the same period in 1991.

Net interest income remained relatively constant for the first quarter of 1992 at $3,610,000 or $19,000 less than the same period in 1991. Average interest earning assets declined $55.2 million period to period due to management's decision in late 1990 to apply more conservative loan underwriting standards at a time of reduced loan demand. This reduction in average interest-earning assets outstanding caused a decrease in net interest income of approximately $450,000 in the first quarter of 1992 compared to the same period in 1991. However, earnings forgone due to non-performing assets decreased between the periods as non-performing assets decreased. Earnings not realized due to non-performing assets are estimated at $610,000 and $938,000 in the first quarters of 1992 and 1991, respectively.

The interest rate margin improved 0.44% to 3.26% in first quarter 1992 compared to first quarter 1991. Lower levels of non-performing assets in first quarter 1992 compared to first quarter 1991 contributed 0.29% to the interest rate margin in first quarter 1992. The remainder of the improved interest rate margin results from the net effect of lower market interest rates on both funding costs and yields on adjustable rate loans.

Interest Income

Interest income declined $2,625,000 in first quarter 1992 compared to first quarter 1991 due to decreases in average yields earned and a decrease in the amount of average interest-earning assets outstanding. Average yields earned decreased 1.14%, which reduced interest income by approximately $1,248,000 for the first quarter 1992 compared to the same period in 1991. Yields earned decreased as Citizens' rate sensitive asse' were repriced during a period of declining interest rates. However, the magnitude of the yield decrease was lessened due to the reduction in loans not accruing interest. Earning assets declined $55.2 million period to period, primarily due to management's decision in 1990 to reduce

the size of Citizens, which reduced interest income by approximately $1,377,000.

Interest Expense

Interest expense for the first quarter of 1992 was $6,214,000 or $2,606,000 less than $8,820,000 for the same period in 1991. Approximately $1,679,000 of the reduction in interest expense is estimated to result from the decrease in rates and approximately $927,000 from a decrease in the volume of interest-bearing liabilities. The average rate paid on interest-bearing liabilities decreased 1.58% to 5.57% in the first quarter of 1992 compared to 7.15% in the first quarter 1991. The decrease in rates paid on deposits and borrowings resulted from a general decline in market interest rates. The decline in market interest rates also contributed to deposit outflows as some rate conscious customers appear to have moved their funds out of Citizens and into other investment vehicles. Deposits decreased from $428 million at March 31, 1991 to $394 million at December 31, 1991 and have remained approximately at 1991 year end levels throughout the first quarter of 1992. Deposit outflows of $6.6 million from Citizens' primary market area were offset with deposit inflows of $7.6 million from its wholesale deposit operation in the first quarter of 1992. Reductions in borrowings ($55.4 million and $68.9 million outstanding at March 31, 1992 and 1991, respectively) were also caused by lower funding needs.

Other Operating Income

Other operating income for the first quarter of 1992 was $786,000 compared to $668,000 for the first quarter of 1991, an increase of $118,000. An increase in gain on the sale of 1-4 family residential loans originated in Citizens' primary market region account for $49,000 of the increase in other income. Citizens closed single family mortgage loans totalling $16.2 million in the first quarter of 1992 compared to $3.4 million in the first quarter of 1991. Citizens retains adjustable rate loans for portfolio and sells most fixed rate loans to the secondary market. Sales of these loans in the first quarter of 1992 totalled $7.1 million and exceeded first quarter 1991 sales of $2.7 million by $4.4 million.

Bank service fees were higher by $29,000 or 10% in the first quarter of 1992 compared to the first quarter of 1991 due primarily to April 1991 rate increases on many products and services. Loan servicing fees increased $26,000, or 8%, in first quarter 1992 compared to the first quarter of 1991 due to increases in late charges and fees earned on funds held pending disbursement to third party investors. Citizens' insurance subsidiary has streamlined operations to focus on health, life, and annuity products. The insurance subsidiary contributed $20,000 more in gross revenues in the first quarter of 1992 than in the same period in 1991.

Other Operating Expense

Other operating expense for the quarter ended March 31, 1992 was $3,724,000, or $33,000 less than first quarter 1991 operating expense of $3,757,000.

The net expense of real estate operations (for both ORE and direct real estate held for development and resale) and expenses for professional fees represent the categories of other operating expense with the most significant period to period changes. ORE totalled $22.6 million at March 31, 1992, compared to $14.6 million one year earlier. The expenses associated with acquiring, managing and disposing of ORE, as well as the loss of interest income because ORE is a non-earning asset, continue to adversely affect income.

Despite increased levels of ORE and a slow-down in the disposition of real estate held for development and resale, the net expense of real estate operations decreased from $199,000 in the first quarter of 1991 to $109,000 in the first quarter of 1992. This decrease results from a $230,000 period to period increase (from $43,000 to $273,000) in net gains on the sale of real estate which go to reduce the net expense of real estate operations. A $205,000 gain on the sale of one ORE property in South Carolina during the first quarter of 1992 was the largest contributor to this increase.

However, actual carrying expenses of real estate net of rental income increased by $67,000 from $166,000 to $233,000 between the periods principally due to the higher level of ORE and the resulting increase in the related level of carrying cost. In

addition, Citizens continues to be required to advance funds to carry its real estate held for development and resale, principally residential development projects which have been adversely affected by the economy. Advances of $254,000 were made for such carrying costs during the first quarter of 1992 compared to $308,000 during the like period in 1991 and the provision for possible losses on such investments was $120,000 during the first quarter of 1992 compared to no provision for loss in the first quarter of 1991. Furthermore, writedowns in the book value of ORE and real estate held for development and resale totalled $29,000 in the first quarter of 1992 compared to $76,000 in the first quarter of 1991. The expenses related to ORE and real estate held for development and resale can be expected to remain at high levels until Citizens is able to reduce the level of ORE and direct real estate investments through sales. Management is aggressively working to dispose of such properties; however, a stagnant economy, slow residential real estate activity and limits on the availability of purchase money financing all serve to delay the final disposition of these properties.

Legal expenses for ORE and loans in a work-out status continue to remain at high levels and are expected to remain high until outstanding non-accruing loans and ORE decrease. Consulting expense, a component of professional fees, was $108,000 for the quarter ended March 31, 1992 compared to $34,000 for the same period in 1991 and includes expenses for strategic planning for Citizens and executive search firm expenses associated with identification and selection of a new president and chief executive officer.

Delinquent Loans

Loans past due 60 days or more totalled $17,707,000 at March 31, 1992 compared to $18,112,000 at December 31, 1991. During the first quarter of 1992, $3.6 million of loans became past due 60 days or more, while $2.8 million of delinquent loans were transferred to ORE as title to security was acquired at the conclusion of the foreclosure process. Approximately $1.2 million of loans past due 60 days or more at year end 1991 were brought to a more current status by March 31, 1992. Loans past due 90 days or more represented 86% of reported delinquencies at March 31, 1992 compared to 67% at December 31, 1991. The new delinquencies and the shift towards more seriously delinquent categories during the

first quarter of 1992 are believed to result principally from adverse general economic conditions. Management is aggressively acting to reduce existing delinquencies through collection efforts and has adopted more conservative loan approval procedures to reduce future delinquencies.

The following table sets forth information concerning delinquent loans at March 31, 1992, expressed in dollars and as percentages of total loans. The amounts shown represent total remaining principal balances of the related loans, rather than the actual payment amounts that are delinquent, and are net of amounts guaranteed or insured by government agencies.

	Loans Past Due for 60 Days and over at March 31, 1992							
	60 - 89 days		90 - 119 days		120 days and over		Total	
	Amount	Percent of Total Loans	Amount	Percent of Total Loans	Amount	Percent of Total Loans	Amount	Percent of Total Loans
	(Dollars in Thousands)							
Residential property loans, net	$1,027	0.2%	$260	0.1%	$2,408	0.6%	$3,695	0.9%
Commercial real estate loans	1,064	0.3	265	0.1	6,193	1.6	7,521	1.9
Construction loans	10	0.0	2,025	0.5	1,221	0.3	3,257	0.8
Business loans	301	0.1	219	0.1	2,551	0.6	3,071	0.8
Consumer loans, net	118	0.0	8	0.0	23	0.0	148	0.0
Total	$2,519	0.6%	$2,778	0.7%	$12,396	3.1%	$17,692	4.4%

Non-performing Assets

Citizens' non-performing assets (composed primarily of loans which are not accruing interest and real estate acquired through foreclosure) increased $0.4 million from $35.9 million at December 31, 1991 to $36.3 million at March 31, 1992. The increase in non-performing assets in the quarter ended March 1, 1992 is due to the addition of $5.1 million of delinquent loans to non-accruing status, reduced by $3.1 million of ORE sold, $.4 million of non-accrual loans charged to the allowance for loan loss and $1.2 million of loans brought current or paid off by the borrower. Three loan relationships totalling $3.6 million, are the major portion of delinquent loans which moved to non-accruing status during the first quarter of 1992. Two of these loan relationships

totalling $1.7 million, are located in Citizens' primary market region and are secured by commercial real estate. The third loan relationship of $1.9 million is secured by residential building lots located in South Carolina. During the first quarter of 1992, through aggressive efforts, Citizens acquired title to $9.6 million of property securing loans in default, including $6.8 million representing property which had been deemed in substance foreclosed at year end 1991 and thus already classified as ORE at year end although title had not yet been acquired.

Non-performing assets decreased $4.1 million from $40.4 million at March 31, 1991 to $36.3 million at March 31, 1992. This decrease resulted primarily from write-downs in the book value of ORE charged directly against income and, to a lesser extent, because of real estate sales and reinstatement of loans to current paying status.

Citizens is focused on reducing the level of non-performing assets, primarily through the sale of ORE. However, the unavailability of purchase money financing in some real estate markets may lengthen the time required to dispose of ORE. Citizens' ORE includes $11.4 million of developed residential building lots and residential land parcels some of which are estimated to take several years to completely sell out. Delays in disposing of ORE will prolong the adverse effect on earnings caused by these non-interest earning assets.

Non-performing Assets

	March 31, 1992	December 31, 1991	March 31, 1991
	(Dollars in thousands)		
Non-accrual loans (1)	$12,635	$11,949	$25,678
Loans past due 90 days or more and still accruing	1,102	866	186
Total non-performing loans	13,737	12,815	25,864
Real estate acquired through foreclosure	22,611	23,058	14,563
Total	$36,348	$35,873	$40,427
Percent of total loans, net and real estate acquired through foreclosure	8.61%	8.39%	8.79%

Non-performing loans - By type as of March 31, 1992.

	Loan Portfolio Balance	Total Non-Performing Loans (1)	Non-performing Loans as a Percent of Portfolio Balance
	(Dollars in thousands)		
Mortgage loans:			
Residential	$216,775	$2,893	1.33%
Commercial/Multi family	133,014	3,144	2.36
Construction	11,532	6,455	55.97
Total mortgage loans	361,321	12,492	3.46
Consumer loans	21,482	381	1.77
Business loans	16,945	864	5.10
Total	$399,748	$13,737	3.44%

(1) These amounts exclude the Farmers Home Administration (FmHA) guaranteed portion of the principal outstanding on a past due commercial mortgage loan, which is guaranteed as to both principal and interest and amounted to $3,809,000 at March 31, 1992 and December 31, 1991 and $6,072,000 at March 31, 1991. Citizens is accruing the interest on this loan to the extent interest is guaranteed by FmHA.

Classified Assets

At March 31, 1992 Citizens' adversely classified assets totaled $54.6 million, which is $18.3 million greater than total non-performing assets of $36.3 million at that date. All non-performing assets are adversely classified, but not all adversely classified assets are non-performing. The $18.3 million difference between adversely classified assets and non-performing assets consists of $6.4 million of real estate held for development and resale and $11.9 million of loans which are current with respect to interest payments, but which are adversely classified because of identifiable credit weaknesses.

Adversely classified assets decreased $4.5 million during the first quarter of 1992 due primarily to sales of ORE totalling $3.1 million. Loans totalling $1.8 million ceased to be adversely classified assets upon resolution of their credit weaknesses and $0.9 million of additional loans and direct investments with identifiable credit weaknesses were adversely classified in the quarter ending March 31, 1992.

Provision for Possible Loan and Real Estate Losses

The allowance for possible loan losses was $4,318,000 at March 31, 1992. This allowance increased $16,000 since year end 1991 due to the net effect of a $300,000 provision charged to expense and $284,000 of charge-offs, net of recoveries. The allowance for possible losses on real estate held for investment and resale was $2,435,000 at March 31, 1992, an increase of $120,000 since year end 1991. This increase is due to additional provisions charged to expense in the first quarter of 1992.

Liquidity and Capital Resources

As a federal savings bank, Citizens must maintain a specified ratio of cash and short-term United States Government and other specified assets to net withdrawable accounts and borrowings payable in one year or less. This liquidity requirement may vary from time to time, depending upon economic conditions and savings flows, and is currently 5%. Citizens' liquidity ratio for the month of March 1992 was 6.72%.

At March 31, 1992, the total of approved loan commitments amounted to $11.3 million, of which approximately $10.2 million, or 90%, were anticipated to be funded by Citizens within six months. These commitments are issued by Citizens as part of the regular process by which it makes loans to borrowers. Funds required to fulfill the commitments are derived primarily from payments received in reduction of existing loans, new deposit inflows and, when appropriate, borrowings. Management anticipates that it will sell $5.0 million of fixed rate loans committed but not funded at March 31, 1992.

Of Citizens' borrowings at March 31, 1992, $8.0 million is scheduled to mature during the next six months and the amount of savings certificates scheduled to mature during that period is $130.9 million. Management expects that a substantial portion of these maturing deposits will be redeposited with Citizens and management anticipates that the maturing borrowings will be replaced with new borrowings, as needed. At March 31, 1992, Citizens had the ability to borrow up to $146.3 million (representing 30% of total assets) from the Federal Home Loan Bank of New York (FHLBNY), including $27.0 million on an overnight line of credit. Of this amount, Citizens had outstanding advances from FHLBNY of $55.4 million at March 31, 1992, representing 11.4% of total assets. The use of FHLBNY credit facilities may be affected by the Supervisory Agreement between Citizens and the OTS, which prohibits growth above $538.6 million in total assets, and the application of OTS liability growth restrictions which prohibit Citizens from increasing its liabilities by more than an amount equal to net interest credited on deposits on a quarterly basis, without the OTS' permission.

The FDIC has proposed a new rule, which may be effective as early as June 16, 1992, which will eliminate Citizens' ability to accept or renew brokered deposits without a prior waiver from the FDIC. At March 31, 1992 Citizens had $37.8 million of brokered deposits with maturities occurring over the next approximately 2 years. Management believes the approximate two year transition to replace brokered deposits will allow Citizens to replace brokered deposits without having a material adverse affect on liquidity or cost of funds.

Under federal law and regulations, Citizens, as a federal savings bank, must maintain core capital in an amount not less than

3% of its adjusted assets, tangible capital in an amount not less than 1.5% of its adjusted assets and risk based capital of at least 7.2% of risk weighted assets, which increases to 8% by January 1, 1993. Citizens' capital exceeds all of the OTS fully phased-in minimum capital requirements. The following table sets forth the fully phased-in regulatory capital ratio requirements applicable to Citizens and Citizens' corresponding capital position at March 31, 1992. In meeting each of the three capital standards, most institutions are required to deduct from capital their investment in and extensions of credit to any subsidiary engaged in activities not permissible for a national bank. However, Citizens, which was chartered prior to October 15, 1982, as a savings bank under state law, is exempt from this requirement.

	Fully Phased-in Regulatory Capital Requirement		Citizens Capital Ratio at 3/31/92		Excess of Citizens' Capital over Regulatory Capital Requirement	
	Amount	Percent	Amount	Percent	Amount	Percent
Core Capital.....	$14,641	3.00%	$29,442	6.03%	$14,801	3.03%
Tangible Capital....	$ 7,320	1.50%	$29,442	6.03%	$22,122	4.53%
Risk-based Capital..	$26,902	8.00%	$32,392	9.63%	$ 5,490	1.63%

FDIC capital adequacy regulations establish minimum requirements for an institution's ratio of Tier I capital to total assets. Tier I capital is equal to common stockholders' equity, non-cumulative perpetual preferred stock and minority interest in consolidated subsidiaries, minus intangible assets (other than certain mortgage servicing rights and qualifying supervisory good will), minus identified losses not yet recognized on the institution's books, and minus investments in securities subsidiaries and mortgage banking subsidiaries under certain circumstances. The regulations do not generally apply to Citizens, but they do apply to Citizens in the context of any applications Citizens may make to the FDIC which require consideration of the adequacy of Citizens' capital structure or financial resources, or which require an assessment of the safety and soundness of

Citizens. A limited number of the highest rated banks are subject to a 3% minimum Tier I capital ratio requirements. Most banks, including Citizens, must have a capital ratio that is 1% to 2% higher. The FDIC may require an even higher level of capital based on an institution's risk profile. At March 31, 1992, the Tier I capital ratio of Citizens was 6.06%.

Interest Rate Sensitivity

Interest rate sensitivity is the result of differences in the amounts and repricing dates of Citizens' assets and liabilities. A major factor which determines the exposure of the Citizens' earnings to interest rate risk is the relationship between the maturities and repricing characteristics of its interest-earning assets and interest-bearing liabilities. These differences or interest rate repricing "gaps", provide an indication of the extent that Citizens' net interest income may be affected by future changes in interest rates.

Citizens current policy is to seek to avoid material differences in the timing of the repricing of its assets versus its liabilities. If assets estimated to reprice within a given period exceed the liabilities estimated to reprice within the same period, a "positive" gap results. This could tend to have a favorable impact on earnings during a period of rising interest rates and to have an unfavorable impact during a period of declining rates. Citizens estimates that it currently has a positive one year interest rate gap. Citizens' rate sensitive one-year positive gap (the excess of assets over liabilities scheduled to reprice within one year) was estimated to be $50.0 million, or 10.25% of total assets, as of March 31, 1992. Citizens positive one year gap has widened by $36.1 million since December 1990 when it was $13.9 million. The principal causes of the increasing positive gap are 1) decreases in time deposits of one year or less resulting from deposit outflows to higher yielding non-bank investments and 2) a reduction in borrowings maturing in one year or less.

Management believes that the current level of positive gap does not expose future net interest income to an unreasonable level of interest rate risk because of the current low market rate environment and two factors which significantly offset the effect of a one year positive gap.

First, Citizens estimates that it has a negative 6 month gap (more liabilities repricing in the time period than assets) and a positive gap (more assets repricing than liabilities) in the over 6 months to 1 year time period, resulting in an overall positive one year gap. In a period of steadily falling or rising interest rates, this negative 6 month gap tends to offset the expected effect of an overall one year positive gap. A second factor which reduces the effect of Citizens' positive gap is that most adjustable rate loans are repriced based upon the interest rate in effect 30 to 60 days before the repricing occurs. Such a one to two month lag has a favorable impact on interest income during a period of falling rates and a negative impact on interest income during a period of rising rates. These outcomes are the opposite of the expected outcome for a positive gap and decrease the expected effect of positive gap.

Citizens estimates that its one year gap at March 31, 1992 was $5.1 million higher than its reported one year gap at December 31, 1991. Approximately $43.1 million of this increase is attributable to changes in repricing characteristics of assets and liabilities, but was offset by an approximately $38.0 million reduction in positive gap resulting from revisions to management's assumption used in calculating gap, as discussed in detail below. The principal changes in repricing characteristics result from changes in the mix of liabilities. During the first quarter of 1992, Citizens experienced a $28.3 million decrease in time deposits scheduled to mature within 12 months, while time deposits maturing in more than one year increased by $9.5 million.

The following table sets forth, in summary form, the amount of Citizens' assets and liabilities estimated to mature, reprice or amortize within the stated time periods. The information presented is based upon assumptions which management believes to be reasonably related to past experience. For the reasons set forth in detail below, management has revised the assumptions used to estimate the repricing rates for transaction and savings accounts. Management regularly reviews the assumptions used in analyzing interest rate sensitivity and makes adjustments when warranted.

Asset/Liability Repricing Table

	Maturity/Repricing Period at March 31, 1992			
	Within 1 yr	1–5 yrs	After 5 years	Total
		(Dollars in thousands)		
INTEREST-EARNING ASSETS:				
Investment securities	$18,217	$4,119	$ --	$22,336
Mortgage-backed securities	4,169	3,206	6,115	13,490
Residential real estate loans	187,468	17,659	12,155	217,282
Commercial/construction real estate loans	112,821	26,656	7,532	147,009
Consumer, guaranteed student and business loans	25,603	7,938	6,708	40,249
Total	348,278	59,578	32,510	440,366
INTEREST-BEARING LIABILITIES:				
Transaction & Savings accounts	44,172	43,260	36,051	123,483
Money market	27,958	--	--	27,958
Time deposits	191,779	51,093	427	243,299
FHLBNY advances	34,400	18,575	2,400	55,375
Total	298,309	112,928	38,878	450,115
Cumulative rate sensitive gap	$49,969	($3,381)	($9,749)	($9,749)
Cumulative rate sensitive gap as % of total assets	10.25%	-0.69%	-2.00%	-2.00%

Gradually during 1991, and more rapidly during the first quarter of 1992, Citizens experienced a shift in its deposit mix away from certificates of deposit and into regular savings accounts. The low interest rate environment experienced in recent times has caused interest rates on certificates of deposit to approach, and sometimes even fall below, interest rates on regular savings accounts. More rate-conscious customers appear to have shifted their deposits from certificate of deposit accounts into

regular savings accounts. Citizens believes it is reasonable to assume that such new savings deposits are more volatile than traditional savings deposits, with depositors more likely to shift the deposits back into certificates of deposit or other higher rate products if interest rates move upward. In the past, Citizens has assumed, for interest rate sensitivity analysis purposes, that savings deposits will reprice at the rate of 5% per year. For the first quarter of 1992, Citizens has assumed that the first $45 million of savings deposits, representing the base level of such deposits, will reprice at the rate of 12.0% per year. All savings deposits in excess of $45 million, representing the incremental deposits believed to result from the shift in depositor preference, are estimated to reprice with one year.

PART II – Other Information

Item 1 – Legal Proceedings.

No material development.

Item 2 – Changes in Securities.

None.

Item 3 – Defaults Upon Senior Securities.

None.

Item 4 – Submission of Matters to a Vote of Security Holders.

None.

Item 5 – Other Information.

None.

Item 6 – Exhibits and Reports on form 8–K.

(a) Exhibit 11 – Statement re Computation of Earnings Per Common Share

(b) Reports on Form 8–K.

None.

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant he duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Ithaca Bancorp, Inc.

Date: May 14, 1992

Edward S. Elles, Jr.
Executive Vice-President and
Chief Financial Officer

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EXHIBIT 11

Statement re Computation of Earnings per Common Share

	For the Three Months Ended March 31,	
	1992	1991
Net income	$224,000	$150,000
Weighted average shares outstanding	2,309,296	2,309,296
Net income per common share	$0.10	$0.06